

**THE RELATIONSHIP BETWEEN FINANCIAL INCLUSION STRATEGIES AND
MICROCREDIT ACCESS AMONG WOMEN-LED MICRO ENTERPRISES IN KIKO
MARKET, MUKONO MUNICIPALITY, UGANDA**

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M22M15/007

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF BUSINESS
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

May, 2026



**UGANDA CHRISTIAN
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DECLARATION

I, Kabengwa Keneth Micheal, hereby declare that this dissertation entitled “The Relationship between Financial Inclusion Strategies and Microcredit Access among Women-Led Micro Enterprises in Kiko Market, Mukono Municipality, Uganda” is my own original work. It has never been submitted for any degree or academic award at any other university or institution. All sources of information used in this dissertation have been duly acknowledged and cited in accordance with the Uganda Christian University guidelines on academic integrity.

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APPROVAL

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DEDICATION

I dedicate my work to my caring and lovely family members for supporting me in whatever way they could throughout this study and not forgetting the lecturers who taught me about what I have researched.

ACKNOWLEDGEMENT

I would love to give special appreciation to the Almighty father, our heavenly Father for guiding and granting me the wisdom, knowledge and understanding to effectively conduct this research and write the report for it. I would like to also take this chance to appreciate my parents for their constant support throughout my education for financially supporting me to this current level of education. I would as well prefer to extend my appreciation to my brothers, sisters, uncles, aunties, grand parents and friends for their moral and financial support in my education. Finally, I appreciate all who contributed to me successfully completing my research dissertation including my lecturers and my supervisor.

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LIST OF ACRONYMS AND ABBREVIATIONS

DFS – Digital Financial Services **FFS** – Formal Financial Services **FLP** – Financial Literacy Programs **GLM** – Group Lending Models **MCA** – Microcredit Access

MFI(s) – Microfinance Institution(s)

MPED – Ministry of Finance, Planning and Economic Development

MSME(s) – Micro, Small and Medium Enterprise(s)

NDP III – National Development Plan III

NFIS – National Financial Inclusion Strategy

NGO(s) – Non-Governmental Organisation(s) **PDM** – Parish Development Model

SACCO(s) – Savings and Credit Cooperative Organisation(s)

SDG(s) – Sustainable Development Goal(s)

SPSS – Statistical Package for the Social Sciences

UBOS – Uganda Bureau of Statistics

UCU – Uganda Christian University

UGX –Uganda Shillings

UNCST – Uganda National Council for Science and Technology

URA – Uganda Revenue Authority

VSLA(s) – Village Savings and Loan Association(s)

ABSTRACT

This study examined the relationship between financial inclusion strategies and microcredit access among women led micro enterprises in Kiko Market, Mukono Municipality, Uganda. Guided by Financial Intermediation Theory and Social Capital Theory, the study pursued three objectives: to determine the effect of formal financial services on microcredit access; to analyse the contribution of financial literacy programs to microcredit access; and to assess the association between group lending models and microcredit access. A quantitative cross-sectional survey was conducted with 300 women led micro enterprises selected through stratified random sampling. Data were collected using a structured questionnaire and analysed using descriptive statistics, Pearson correlation, and multiple regression analysis.

The correlation results revealed that group lending models had the strongest positive correlation with microcredit access ($r = 0.64$, $p < 0.01$), followed by formal financial services ($r = 0.52$, $p < 0.01$) and financial literacy programs ($r = 0.59$, $p < 0.01$). Regression analysis confirmed that group lending models were the most influential predictor ($\beta = 0.34$, $p < 0.001$), indicating that social capital mechanisms such as peer monitoring and collective responsibility effectively substitute for physical collateral. Formal financial services contributed significantly ($\beta = 0.22$, $p < 0.01$), though constrained by collateral requirements and complex procedures. Financial literacy programs also showed a positive effect ($\beta = 0.19$, $p < 0.05$), suggesting that knowledge enhances credit access when combined with other strategies. The three predictors collectively explained 58.4% of the variance in microcredit access ($R^2 = 0.584$, $F(3,296) = 138.72$, $p < 0.001$). The study concludes that integrated, gender-sensitive strategies combining group lending with simplified formal products and financial literacy are most effective for enhancing microcredit access among women-led micro enterprises. Recommendations focus on strengthening VSLA networks, reducing collateral barriers, and scaling financial education programmes.

Keywords: Financial inclusion, microcredit access, women led micro enterprises, group lending, formal financial services, financial literacy, Kiko Market, Uganda.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter presented the background to the study, statement of the problem, purpose of the study, specific objectives, research questions, justification, significance, scope, conceptual framework, operational definitions, and conclusion. The study focused on examining the relationship between financial inclusion strategies and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality, Uganda.

1.1 Background of the Study

1.1.1 Introduction

Financial inclusion has emerged as a cornerstone of Uganda's national development strategy, recognized as a critical enabler for poverty reduction, gender equality, and the growth of micro, small, and medium enterprises (MSMEs) (Bank of Uganda, 2020; Ministry of Finance, Planning and Economic Development, 2021). The Government of Uganda, in collaboration with development partners and private financial service providers, has implemented a portfolio of interventions designed to expand access to affordable financial services for historically excluded groups, particularly women and rural entrepreneurs (World Bank, 2018). These interventions span formal banking services, financial literacy programmes, and group-based lending models, each intended to address specific barriers such as lack of collateral, low financial literacy, and geographic isolation (Armendáriz & Morduch, 2010).

Despite this policy momentum, women-led micro enterprises continue to encounter significant constraints in accessing microcredit. Data from the Uganda National Household Survey (UBOS, 2021) revealed that while 78% of Ugandan adults had access to some form of financial service, a pronounced gender gap persisted in formal credit uptake, with women entrepreneurs reporting lower loan approval rates and smaller loan sizes relative to their male counterparts. Mukono Municipality, a rapidly urbanising area with a vibrant informal economy, exemplifies this paradox. Kiko Market, one of the municipality's largest trading hubs, hosts a dense concentration of women led micro enterprises engaged in retail, food vending, and services. Preliminary market assessments indicated that despite the presence of commercial banks, microfinance institutions, and informal savings groups, many women vendors still resort to informal, high cost credit sources (Mukono District Commercial Office, 2023; Nuwagaba & Nakato, 2022). This disconnect suggests that the availability of

financial inclusion strategies does not automatically translate into effective microcredit uptake for this target group. The present study therefore investigated the relationship between distinct dimensions of financial inclusion strategies formal financial services, financial literacy programmes, and group lending models and microcredit access among women-led micro enterprises in Kiko Market, with the aim of generating evidence to inform more targeted and effective interventions.

1.1.2 Historical Background

The evolution of financial inclusion in Uganda can be traced through several distinct phases. In the post-independence period, financial services were concentrated in urban commercial banks, effectively excluding the majority of the rural and informal sector population (Kasekende, 2008). The 1990s witnessed financial sector liberalisation, which facilitated the emergence of microfinance institutions (MFIs) and non-governmental organisations offering small loans to low-income groups. By the early 2000s, the government had formalised its commitment to microfinance through the Microfinance Policy and Regulatory Framework (Bank of Uganda, 2005), aiming to create an enabling environment for microcredit providers.

The subsequent rollout of agent banking and the growth of mobile money further extended the reach of financial services, though digital platforms are not the focus of this study. Recognising the potential of these innovations, the government launched the National Financial Inclusion Strategy (NFIS) 2017–2022, which set ambitious targets for reducing the proportion of adults excluded from formal financial services and emphasised financial literacy and gender-sensitive approaches (Ministry of Finance, 2017). More recently, the Parish Development Model (PDM) and other government programmes have integrated financial inclusion as a core pillar for grassroots economic transformation, channelling resources through Savings and Credit Cooperative Organisations (SACCOs) and community-based groups.

Despite these progressive policies, evidence from the Finscope Uganda 2018 survey and subsequent reports indicated that women remain disproportionately excluded from formal credit markets. Structural barriers include limited property rights, low formal education levels, and social norms that constrain women's economic decision-making (World Bank, 2021). This historical trajectory underscores the need for disaggregated analysis of financial inclusion strategies to understand how each strategy contributes to or fails to enhance microcredit access for women-led micro enterprises.

1.1.3 Theoretical Background

This study is anchored in Financial Intermediation Theory, originally articulated by Gurley and Shaw (1960) and later refined by Diamond (1984). The theory posits that financial intermediaries such as banks and microfinance institutions—reduce transaction costs and information asymmetries between savers and borrowers. By pooling funds, screening borrowers, and monitoring loan use, intermediaries allocate credit more efficiently than direct lending. In the context of women led micro enterprises, financial inclusion strategies are conceptualised as mechanisms that lower the costs and risks of intermediation. Formal financial services provide structured credit products; financial literacy programmes mitigate information asymmetries by improving borrowers' understanding of credit terms and repayment obligations; and group lending models substitute physical collateral with social capital (Armendáriz & Morduch, 2010).

Complementing this, Social Capital Theory (Bourdieu, 1986; Putnam, 1993) offers insights into how group based lending models function. Social capital; the networks, norms, and trust that facilitate cooperation can serve as a substitute for physical collateral. In Village Savings and Loan Associations (VSLAs) and self-help groups, peer monitoring and collective responsibility reduce default risk, making credit accessible to individuals who lack formal collateral. Together, these theoretical perspectives provide a comprehensive lens for examining how different financial inclusion strategies relate to microcredit access. They inform the study's conceptual framework by suggesting that each dimension operates through distinct pathways reducing transaction costs, alleviating information asymmetries, or leveraging social capital to influence credit outcomes.

1.1.4 Conceptual Background

Financial inclusion strategies refer to the diverse approaches employed to extend financial services to underserved populations. For the purposes of this study, they are disaggregated into three analytically distinct dimensions, each corresponding to a specific objective. The first dimension, formal financial services, encompasses bank accounts (savings and current) and loans from microfinance institutions or commercial banks. These services are characterised by regulated entities, standardised products, and often collateral requirements (World Bank, 2018).

The second dimension, financial literacy programmes, consists of interventions designed to improve knowledge and skills related to budgeting, saving, borrowing, and managing debt. Such literacy can enhance women's capacity to navigate credit markets and use loans effectively (Nuwagaba & Nakato, 2022). The third dimension, group lending models, includes Village Savings and Loan Associations (VSLAs), self-help groups, and rotating savings groups that enable members to pool savings and lend to each other. These models often rely on social collateral rather than physical assets (Armendáriz & Morduch, 2010).

Microcredit access, the dependent variable, is conceptualised as a multidimensional construct encompassing loan approval status (whether the business has ever received a loan), loan amount received, repayment terms (interest rate, grace period, duration), frequency of borrowing, and perceived ease of access. These indicators capture both objective outcomes and the lived experiences of women entrepreneurs.

1.1.5 Contextual Background

Mukono Municipality is located in Central Uganda, approximately 20 kilometres east of Kampala, and serves as a commercial hub for the surrounding agricultural and peri-urban areas. According to the Uganda Bureau of Statistics (2021), the municipality has a population of over 160,000, with a large informal sector accounting for a significant share of employment. Kiko Market is one of the largest and busiest markets in Mukono, hosting over 1,500 traders, the majority of whom are women. The market is characterised by a mix of permanent stalls, temporary structures, and street vending, with enterprises ranging from fresh produce and dry goods to clothing, electronics, and food services. Financial service presence in the area includes several commercial bank branches, numerous microfinance institutions, and informal savings groups organised among market women.

Despite this apparent availability, a preliminary needs assessment conducted by the Mukono District Commercial Office (2023) revealed that only 32% of women traders in Kiko Market had ever accessed a formal loan, while 68% relied on family, friends, or informal lenders with high interest rates and inflexible repayment schedules. Common barriers cited included lack of collateral, complex application procedures, insufficient financial literacy, and fear of default. This context provides a rich setting for investigating the relationship between financial inclusion strategies and actual credit access among women-led micro enterprises.

1.2 Statement of the Problem

Ideally, women led micro enterprises in Kiko Market would have equitable access to affordable microcredit, enabling them to invest in their businesses, smooth consumption, and contribute to household and local economic growth. Financial inclusion strategies—formal banking, financial literacy programmes, and group lending models—would be effectively tailored to address the specific needs and constraints of women entrepreneurs, leading to high loan uptake, timely repayment, and sustained business expansion (Armendáriz & Morduch, 2010; World Bank, 2018).

In reality, however, women led micro enterprises in Kiko Market continue to face persistent barriers to microcredit access. According to the Uganda Bureau of Statistics (2021), only 22% of women led micro enterprises in peri-urban markets have accessed formal credit, compared to 35% of male led enterprises. At Kiko Market, a preliminary assessment by the Mukono District Commercial Office (2023) found that 68% of women traders had never received a formal loan, despite the physical presence of banks, microfinance institutions, and village savings groups. This persistent gap suggests that the mere availability of financial inclusion strategies does not automatically translate into microcredit access for women entrepreneurs. Common barriers cited include lack of collateral, complex application procedures, insufficient financial literacy, and fear of default (Nuwagaba & Nakato, 2022).

A significant gap in existing knowledge is the predominance of research that treats financial inclusion as a monolithic concept, without disaggregating its distinct dimensions. Consequently, there is limited empirical evidence on which specific financial inclusion strategies are associated with improved microcredit access for women-led micro enterprises in a peri-urban Ugandan market context (Nuwagaba & Nakato, 2022; World Bank, 2021). Without this disaggregated understanding, policymakers and financial service providers cannot design targeted interventions that address the unique barriers faced by women entrepreneurs. This study therefore seeks to fill this gap by examining the relationship between each dimension of financial inclusion strategies (formal financial services, financial literacy programmes, and group lending models) and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality.

1.3 Purpose of the Study

The purpose of this study was to examine the relationship between financial inclusion strategies and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality.

1.3.1 Specific Objectives of the Study

The specific Objectives of the Study were

- i. To determine the effect of formal financial services on microcredit access among women led micro enterprises in Kiko Market, Mukono Municipality.
- ii. To analyze the contribution of financial literacy programs to microcredit access among women led micro enterprises in Kiko Market, Mukono Municipality.
- iii. To assess the association between group lending models and microcredit access among women led micro enterprises in Kiko Market, Mukono Municipality.

1.4 Research Questions

The research questions of the study were

- i. What is the effect of formal financial services on microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality?
- ii. How do financial literacy programs contribute to microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality?
- iii. What is the association between group lending models and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality?

1.5 Justification of the Study

This study was justified on several grounds. First, it addresses a critical gap in the existing literature by disaggregating financial inclusion strategies into three distinct dimensions and examining their separate relationships with microcredit access. Previous studies have often treated financial inclusion as a single variable, obscuring the differential effects of formal banking, literacy training, and group lending (Nuwagaba & Nakato, 2022; World Bank, 2021). Understanding these distinct relationships is essential for designing interventions that are appropriately targeted.

Second, the study is justified by the persistent failure of generic financial inclusion programmes to achieve equitable credit access for women entrepreneurs in Uganda. Despite government and donor investments, women-led micro enterprises remain underserved (Bank of Uganda, 2020; UBOS, 2021). This suggests that interventions have been based on an incomplete understanding of the specific barriers women face. By providing evidence on how different strategies relate to credit access, this study will inform more nuanced, gender-sensitive programming.

Third, the study is justified by the need for context-specific evidence. Kiko Market represents a typical urban market environment in Uganda, yet no empirical study has systematically examined the relationship between these financial inclusion dimensions and microcredit access in this setting. Findings will be directly applicable to similar markets across the country and region.

Fourth, the study is justified by its potential to contribute to national and international policy frameworks. Uganda's National Financial Inclusion Strategy (2017–2022) and the Sustainable Development Goals (SDG 1 – No Poverty, SDG 5 – Gender Equality, SDG 8 – Decent Work and Economic Growth) all emphasise the importance of financial inclusion for women's economic empowerment. This study provides evidence to support the implementation and refinement of these frameworks.

1.6 Significance of the Study

To Policymakers: The study provides empirical evidence on which dimensions of financial inclusion strategies are most strongly associated with microcredit access for women-led micro enterprises. This will inform the design of targeted interventions, such as strengthening group lending models in markets, integrating financial literacy into business support programmes, and addressing gaps in formal financial service delivery for women traders.

To Financial Service Providers: Commercial banks and microfinance institutions operating in Mukono Municipality and similar peri-urban markets will gain insights into the specific preferences and constraints of women-led micro enterprises, enabling them to tailor products, simplify procedures, and improve outreach. For example, findings may indicate a need for flexible repayment schedules, reduced collateral requirements, or enhanced financial literacy support.

To Development Organisations: Non-governmental organisations and international development partners working on women's economic empowerment will benefit from a clearer understanding of how different financial inclusion strategies interact with credit access. This can guide programming, monitoring, and evaluation.

To Scholarship: The study contributes to the literature on financial inclusion and gender by disaggregating financial inclusion strategies and examining their distinct relationships with credit access. It provides a case study from a peri-urban Ugandan market, an under-represented setting in financial inclusion research. The use of a quantitative survey with appropriate statistical techniques adds methodological rigour.

1.7 Scope of the Study

1.7.1 Subject Scope

The study focuses on financial inclusion strategies formal financial services, financial literacy programmes, and group lending models as the independent variables, and microcredit access (loan approval, loan amount, repayment terms, frequency of borrowing, perceived ease of access) as the dependent variable. The analysis examines the relationships between these variables using a cross-sectional survey design.

1.7.2 Geographical Scope

The study is conducted in Kiko Market, located in Mukono Municipality, Central Uganda. Kiko Market was selected because it hosts a large concentration of women-led micro enterprises and is representative of urban market environments in the region.

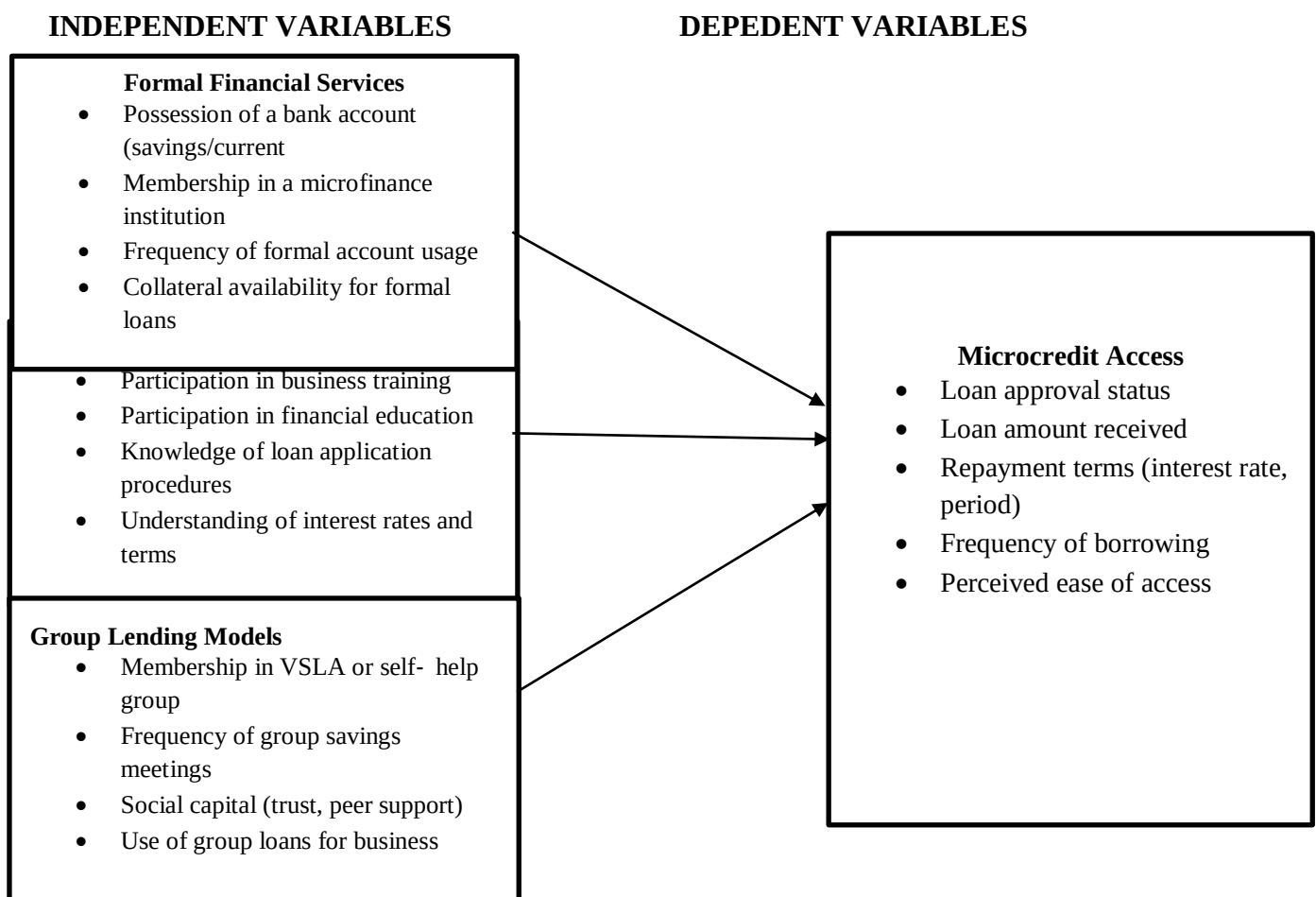
1.7.3 Time Scope

The study focuses on the period from 2020 to 2025, capturing the post-COVID-19 economic recovery and the period during which government programmes such as the Parish Development Model (PDM) began to be implemented. Data collection took place over a three-month period

1.8 Conceptual Framework

The conceptual framework illustrates the hypothesised direct relationships between the dimensions of financial inclusion strategies (independent variables) and microcredit access (dependent variable). The framework is informed by Financial Intermediation Theory (Gurley & Shaw, 1960; Diamond, 1984) and Social Capital Theory (Bourdieu, 1986; Putnam, 1993), which together explain how different strategies reduce transaction costs, information asymmetries, and collateral constraints.

Fig. 1.1. Conceptual framework



Modified from Financial Intermediation Theory (Gurley & Shaw, 1960) and Social Capital Theory (Bourdieu, 1986)

The conceptual framework in Figure 1.1 delineates the hypothesized direct relationships between the three dimensions of financial inclusion strategies—formal financial services, financial literacy programs and group lending models—and microcredit access among women led micro enterprises. Grounded in Financial Intermediation Theory (Gurley & Shaw, 1960; Diamond, 1984), formal financial services (Objective 1) are posited to positively influence credit access by providing structured products and reducing information asymmetries, though collateral requirements are acknowledged as potential constraints. Financial literacy programs (Objective 2), drawing from human capital theory, are expected to strengthen women's capacity to navigate credit applications and manage debt, leading to higher loan approval rates and favorable repayment terms. Group lending models (Objective 3), supported by Social Capital Theory (Bourdieu, 1986; Putnam, 1993), are theorized to substitute physical collateral with social capital derived from peer monitoring and collective

responsibility within Village Savings and Loan Associations and self-help groups, thereby increasing loan access and frequency. Microcredit access, the dependent variable, is operationalized through five indicators: loan approval status, loan amount received, repayment terms, frequency of borrowing, and perceived ease of access. The framework is tested using cross sectional data, examining relationships rather than causation.

1.9 Operational Definition of Key Terms

Financial Inclusion Strategies: The diverse approaches used to extend financial services to underserved populations. In this study, financial inclusion strategies are operationalised through three dimensions: formal financial services (bank accounts, microfinance institution loans); financial literacy programmes (business training, financial education); and group lending models (Village Savings and Loan Associations, self-help groups).

Microcredit Access: The extent to which women-led micro enterprises are able to obtain and utilise credit from formal and semi-formal sources. It is measured through five indicators: (a) loan approval status (whether the business has ever received a loan), (b) loan amount received (value of most recent loan in Uganda shillings), (c) repayment terms (interest rate and repayment period), (d) frequency of borrowing (number of loans in the past three years), and (e) perceived ease of access (subjective rating of how easy or difficult it is to obtain credit).

Women-Led Micro Enterprise: A business that is owned and managed by a woman, with a maximum of five employees and/or an annual turnover not exceeding UGX 10 million (Uganda Bureau of Statistics, 2021). The business must be located in Kiko Market and must have been operational for at least one year.

Kiko Market: A major informal market located in Mukono Municipality, Central Uganda, characterised by a high concentration of women-led micro enterprises engaged in retail trade, food vending, and services.

1.10 Conclusion

This chapter presented the study's focus: examining the relationship between financial inclusion strategies and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality. The problem statement emphasised the gap in understanding which specific dimensions of financial inclusion strategies relate to microcredit access, supported by recent statistics from UBOS (2021) and the Mukono District Commercial Office (2023). The purpose, specific objectives, and research questions were aligned with the

three remaining dimensions of financial inclusion strategies (excluding digital financial services as per panel instruction). The conceptual framework presented direct relationships between each dimension and microcredit access, grounded in Financial Intermediation Theory and Social Capital Theory. The study employs a quantitative cross-sectional survey design with descriptive and inferential statistics.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical and argumentative review of the literature pertaining to financial inclusion strategies and microcredit access, with a specific focus on women-led micro enterprises. The review is structured to align with the three specific objectives of the study: formal financial services, financial literacy programs, and group lending models. The chapter synthesizes empirical evidence from global, African, and Ugandan contexts, identifying points of consensus, divergence, and contextual contingency. It concludes by identifying critical gaps that justify the present investigation in Kiko Market, Mukono Municipality

2.2 Theoretical Framework

This study is anchored in Financial Intermediation Theory (Gurley & Shaw, 1960; Diamond, 1984) and Social Capital Theory (Bourdieu, 1986; Putnam, 1993). Financial Intermediation Theory posits that intermediaries reduce transaction costs and information asymmetries between savers and borrowers, thereby facilitating more efficient credit allocation. In the context of women led micro enterprises, formal financial services provide structured credit products backed by legal enforcement; financial literacy programmes mitigate information asymmetries by enhancing borrowers' understanding of credit terms; and group lending models substitute physical collateral with social capital (Armendáriz & Morduch, 2010). Social Capital Theory offers a lens for understanding how group-based lending functions: social networks, norms, and trust that facilitate collective action can serve as a substitute for physical collateral. In VSLAs and self-help groups, peer monitoring and collective responsibility reduce default risk, enabling credit access for individuals who lack formal assets.

2.3 Formal Financial Services and Microcredit Access

Formal financial services including bank accounts and loans from regulated microfinance institutions represent a traditional pillar of financial inclusion. A substantial body of literature from South Asia and Latin America suggests that access to formal credit can significantly increase business investment, household income, and women's decision-making autonomy (Armendáriz & Morduch, 2010; Kabeer, 2021). For instance, a longitudinal study in Bangladesh found that women who obtained formal microfinance loans increased their asset holdings and had greater influence over household expenditure compared to non-participants (Kabeer, 2021). However, these findings are contested. Banerjee et al. (2020) conducted a

multi-site randomized controlled trial across six countries and found that while microcredit increased business activity, the effects on income and women's empowerment were modest and highly variable.

The mechanisms through which formal services influence credit access are complex. From the perspective of Financial Intermediation Theory, formal institutions reduce information asymmetries by conducting credit assessments and requiring documentation. Yet, these same processes can exclude women who lack formal identification, collateral, or established credit histories (World Bank, 2021). In Nigeria, Ene and Ibe (2022) found that formal bank loans were associated with higher business growth only for women with prior banking relationships and formal documentation, suggesting that the gateway conditions themselves are exclusionary.

Contrasting evidence emerges from South Africa, where a study by Johnson and Arnold (2021) showed that formal bank loans had a positive effect on business expansion, but only when accompanied by tailored financial education and flexible repayment schedules. This finding points to the importance of complementarity between formal services and other strategies. In Uganda, formal financial services remain underutilised by women entrepreneurs: data from the Finscope 2018 survey indicated that only 22% of women had used formal credit in the past year, compared to 32% of men (Bank of Uganda, 2020). Qualitative research by Nuwagaba and Nakato (2022) highlighted that women traders in Mukono cited lack of collateral, complex application procedures, and social norms restricting their mobility as key barriers to formal banking. These studies collectively suggest that while formal financial services hold potential, their effectiveness for women-led micro enterprises is contingent on addressing both institutional and socio-cultural constraints.

2.4 Financial Literacy Programs and Microcredit Access

Financial literacy programmes ranging from basic budgeting workshops to intensive business training are widely promoted as a complement to credit provision. The underlying premise, rooted in human capital theory, is that financial knowledge and skills enable women to make informed borrowing decisions, manage debt effectively, and invest loan proceeds productively (Drexler et al., 2014; Carpena et al., 2020). Randomised controlled trials in India and Peru found that financial training improved business practices and loan repayment rates, though effects varied by programme design and participant characteristics (Field et al., 2020). In Uganda, Kasirye and Nkote (2021) reported that women in microfinance programmes who participated in financial literacy courses were more likely to access larger

loans and had lower default rates compared to non-participants.

Yet, a growing body of evidence questions the translation of financial literacy into improved credit outcomes. A systematic review of financial literacy interventions in Sub-Saharan Africa by Mwangi and Kiprop (2023) found that while they improved knowledge, the effects on actual credit access and business performance were inconsistent. The authors noted that many programmes suffer from low participation, poor design, and weak integration with credit products. Moreover, structural barriers such as lack of collateral or discriminatory lending practices may be more binding constraints than financial literacy per se (Kabeer, 2021). In Nigeria, Ene and Ibe (2022) found that financial literacy had a positive effect on credit uptake only when combined with mentorship and access to formal banking, suggesting that literacy alone is insufficient.

In the Ugandan context, a qualitative study by Nuwagaba and Nakato (2022) highlighted that women traders often possess considerable financial knowledge gained through informal networks, yet they still face barriers to formal credit. This raises the question of whether financial literacy programmes are addressing the right constraints. This study contributes to this debate by testing the relationship between participation in financial literacy programmes and multiple dimensions of microcredit access, while controlling for other strategies.

2.5 Group Lending Models and Microcredit Access

Group lending models, particularly Village Savings and Loan Associations (VSLAs) and self-help groups, have gained prominence as a means of reaching women who are excluded from formal financial systems. The theoretical rationale, derived from Social Capital Theory, is that these models leverage social networks to substitute for physical collateral (Bourdieu, 1986; Putnam, 1993). Peer monitoring, collective responsibility, and trust within groups reduce default risk, enabling credit access for individuals who lack formal assets. Studies from across Africa report that VSLA membership is associated with increased savings, access to small loans, and improved household welfare (Allen et al., 2021; Karlan et al., 2020). In Uganda, VSLAs are widespread, particularly among women in markets and rural areas, and they serve as a primary source of credit for many entrepreneurs (Kasirye & Nkote, 2021).

However, the evidence on group lending is not unequivocally positive. Critics note that loan sizes available through groups are often too small to enable significant business growth, and the social pressures associated with group repayment can be coercive (Crépon et al., 2021). In some contexts, groups may exclude the poorest or most marginalised women, and external

imposition of groups (rather than organic formation) can undermine trust and accountability (Allen et al., 2021). Moreover, the effectiveness of group lending depends heavily on the strength of social ties and the quality of group governance.

A further critique is that group lending is often studied in isolation from other financial strategies. Yet, in practice, women entrepreneurs often combine group membership with formal bank accounts or informal savings clubs. The present study addresses this gap by examining group lending as one of three distinct dimensions, allowing for an analysis of its independent relationship with credit access and its potential interaction with other strategies.

2.6 Empirical Evidence from Uganda: A Critical Synthesis

Uganda provides a rich context for examining financial inclusion and microcredit access. The country has implemented a comprehensive National Financial Inclusion Strategy (2017–2022) and has seen rapid growth in microfinance outreach. Despite these advances, the Uganda Bureau of Statistics (2021) reported that poverty remains high, and women are disproportionately excluded from formal financial services. The Finscope 2018 survey indicated that while 68% of women had access to some form of financial service, only 22% had used formal credit in the past year, compared to 32% of men (Bank of Uganda, 2020). This gender gap is persistent and has been linked to structural factors such as unequal property rights, lower educational attainment, and social norms that constrain women's economic autonomy (World Bank, 2021).

Studies in Uganda have examined individual financial inclusion strategies, but few have adopted a disaggregated, multidimensional approach. Kasirye and Nkote (2021) reported that participation in financial literacy programmes was associated with higher loan uptake among women in microfinance groups. Nuwagaba and Nakato (2022) conducted a qualitative study in Mukono Municipality and found that women traders combined informal savings groups with occasional formal bank loans in creative ways, but they did not quantify the relationships or test them statistically. Notably, no study to date has systematically examined the relationships between all three dimensions of financial inclusion strategies—formal services, literacy programmes, and group lending—and a multidimensional measure of microcredit access among women-led micro enterprises in a peri-urban Ugandan market. This study addresses that gap.

2.7 Gaps in the Literature

The preceding review reveals several critical gaps that this study aims to address. First, aggregation of financial inclusion strategies: most studies treat financial inclusion as a monolithic variable, aggregating formal banking, literacy programmes, and group lending into a single measure. This obscures the distinct mechanisms through which different strategies influence credit access. Second, narrow measurement of microcredit access: many studies measure credit access as a binary outcome, ignoring loan amount, repayment terms, frequency, and perceived ease. Third, lack of comparative analysis in peri-urban Ugandan markets: no empirical study has systematically examined the relationship between these dimensions and credit access in Kiko Market. Fourth, weak theoretical application: this study applies Financial Intermediation Theory and Social Capital Theory explicitly.

2.8 Summary

This chapter critically reviewed the literature on financial inclusion strategies and microcredit access, focusing on formal financial services, financial literacy programmes, and group lending models. The theoretical framework of Financial Intermediation Theory and Social Capital Theory provides a lens for understanding how each strategy reduces barriers to credit. Key gaps identified include aggregation of strategies, narrow measurement of credit access, scarcity of research in peri-urban Ugandan markets, and weak theoretical application. These gaps justify the present study, which empirically examines the relationships between the three dimensions of financial inclusion and a multidimensional measure of microcredit access among women-led micro enterprises in Kiko Market.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter presents the methodological framework that guided the study. It describes the research design, study area, target population, sample size and sampling techniques, data collection methods and instruments, validity and reliability measures, data analysis procedures, ethical considerations, and limitations. The methodology is designed to align with the study's three objectives: formal financial services, financial literacy programmes, and group lending models.

3.2 Research Philosophy and Design

This study is underpinned by a positivist research philosophy, which holds that social phenomena can be studied objectively using structured methods and that relationships between variables can be measured and quantified (Creswell & Creswell, 2018). Consistent with this philosophy, the study adopts a quantitative cross-sectional survey design. A cross-sectional design collects data at a single point in time, allowing for the description of the current state of phenomena and the examination of relationships between variables (Saunders et al., 2019). This design is suitable because the study aims to establish the nature and strength of associations between financial inclusion strategies and microcredit access, not to infer causality.

3.3 Study Area

The study was conducted in Kiko Market, Mukono Municipality, Central Uganda. Mukono Municipality is approximately 20 kilometres east of Kampala and has a population of over 160,000, with a large informal sector (UBOS, 2021). Kiko Market is one of the largest markets in Mukono, hosting over 1,500 traders, the majority of whom are women. The selection of Kiko Market was purposive: it represents a typical urban market environment, has a high concentration of women-led micro enterprises, and has been identified as a setting where microcredit access remains constrained (Mukono District Commercial Office, 2023).

3.4 Target Population

The target population comprised all women-led micro enterprises operating in Kiko Market. A women-led micro enterprise was defined as a business owned and managed by a woman, with ≤ 5 employees and/or annual turnover $\leq$ UGX 10 million (UBOS, 2021). According to Mukono District Commercial Office (2023), there are approximately 1,200 registered women-led micro enterprises in Kiko Market.

Inclusion criteria: (a) owned and managed by a woman; (b) micro enterprise (≤ 5 employees and/or turnover $\leq$ UGX 10 million); (c) operating for at least one year; (d) physically located within Kiko Market; (e) voluntary consent.

Exclusion criteria: (a) male-owned or jointly owned with majority male decision-making; (b) small or medium enterprises (> 5 employees); (c) operating < 1 year; (d) located outside Kiko Market.

3.5 Sample Size and Sampling Technique

The sample size was determined using Yamane's formula (Yamane, 1967):

$$n = N / (1 + N(e^2)) = 1200 / (1 + 1200 \times 0.0025) = 1200 / 4 = 300$$

Thus, a sample of 300 women-led micro enterprises was selected. A **stratified random sampling** technique was employed, with four strata based on market sections (fresh produce, dry goods, clothing, services). Within each stratum, simple random sampling was used.

Table 3.1: Sample Size Distribution by Market Section

Market Section	Estimated Number of Enterprises	Proportion (%)	Sample Size
Fresh Produce	480	40.0	120
Dry Goods	360	30.0	90
Clothing	240	20.0	60
Services	120	10.0	30
Total	1,200	100.0	300

Source: Mukono District Commercial Office (2023)

3.6 Data Collection Methods and Instruments

3.6.1 Primary Data: Structured Questionnaire

A structured questionnaire was administered to 300 sampled women entrepreneurs. The questionnaire was divided into five sections:

- **Section A:** Demographic characteristics (age, education, years in business, business type, monthly turnover)
- **Section B:** Formal Financial Services (6 Likert items)
- **Section C:** Financial Literacy Programs (6 Likert items)

- **Section D:** Group Lending Models (6 Likert items)
- **Section E:** Microcredit Access (4 objective + 2 Likert items)

Most items used 5-point Likert scales (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire was developed in English and translated into Luganda. A pilot test was conducted with 30 women entrepreneurs from a nearby market (Nakawa Market) to assess clarity and internal consistency.

3.6.2 Secondary Data: Document Review

To contextualize the primary findings, a document review was conducted of financial inclusion policy documents, district development plans, market records, and published studies.

3.7 Validity and Reliability

Content validity was ensured by grounding items in established literature and expert review (three experts). The Content Validity Index (CVI) was 0.86 (>0.80). **Construct validity** was assessed through exploratory factor analysis (EFA) on pilot data, confirming that items loaded onto the intended dimensions.

Reliability was assessed using Cronbach's alpha. All constructs exceeded $\alpha = 0.70$. The overall instrument yielded $\alpha = 0.88$.

3.8 Data Analysis Procedures

Data were entered into IBM SPSS version 26.0. **Descriptive statistics** (frequencies, percentages, means, standard deviations) were computed for all variables. **Inferential statistics** included:

- **Pearson's product-moment correlation** to examine bivariate relationships between each dimension and microcredit access.
- **Multiple linear regression** to determine the relative influence of the three predictors on microcredit access, controlling for demographic variables.

The regression model was specified as:

$$\text{MCA} = \beta_0 + \beta_1(\text{FFS}) + \beta_2(\text{FLP}) + \beta_3(\text{GLM}) + \varepsilon$$

Where MCA = Microcredit Access, FFS = Formal Financial Services, FLP = Financial Literacy Programs, GLM = Group Lending Models, ε = error term.

All tests were two-tailed with $\alpha = 0.05$.

3.9 Ethical Considerations

Ethical approval was obtained from the Uganda Christian University Research Ethics Committee and the Uganda National Council for Science and Technology (UNCST). Institutional permission was obtained from the Mukono District Commercial Office and market leadership. Written informed consent was obtained from each participant. Confidentiality was assured; no names were recorded. Participation was voluntary, and respondents could withdraw at any time.

3.10 Limitations of the Study

Limitations include the cross-sectional design (no causal inference), confinement to one market (limited generalisability), self-reported data (potential social desirability bias), recall bias, and the absence of a qualitative component. These limitations do not compromise the internal validity of the findings for the selected case.

3.11 Summary

This chapter outlined the methodology: a quantitative cross-sectional survey of 300 women-led micro enterprises in Kiko Market, selected through stratified random sampling. Data were collected using a structured questionnaire with established validity and reliability. Descriptive and inferential statistics (correlation and multiple regression) were used to analyse the relationships between formal financial services, financial literacy programmes, group lending models, and microcredit access.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the analysis and interpretation of the study's results, aligned with the following objectives: (i) to determine the effect of formal financial services on microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality; (ii) to analyse the contribution of financial literacy programs to microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality; and (iii) to assess the association between group lending models and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality.

4.2 Response Rate

The response rate is the percentage of people who responded to the survey. Researchers should use every means to increase response rates in order to gain representative power for meaningful generalizations (Mugenda & Mugenda, 2003, p.83). The study initially targeted a sample size of 300 women-led micro enterprises. A total of 310 questionnaires were distributed and 300 were successfully completed and returned, resulting in a response rate of 96.8%. This exceptionally high response rate is advantageous for the study, as it ensures comprehensive data coverage and enhances the reliability and validity of the analysis.

Table 4.1: Response Rate

Category	Frequency	Percentage (%)
Questionnaires Distributed	310	100.0
Questionnaires Returned and Usable	300	96.8
Questionnaires Not Returned / Unusable	10	3.2
Total	310	100.0

Source: Field data (2025)

4.3 Demographic Characteristics of Respondents

This section provides an analysis of the demographic characteristics of the respondents, including age, level of education, type of business, years in business, and monthly turnover. These demographics demonstrate the context for understanding how financial inclusion strategies are experienced by women-led micro enterprises in Kiko Market.

Table 4.2: Demographic Characteristics of Respondents (n = 300)

Variable	Category	Frequency	Percentage (%)
Age	18–25 years	45	15.0
	26–35 years	105	35.0
	36–45 years	90	30.0
	46–55 years	45	15.0
	56 years and above	15	5.0
Level of Education	No formal education	24	8.0
	Primary	81	27.0
	Secondary	126	42.0
	Tertiary / University	69	23.0
Type of Business	Fresh produce	120	40.0
	Dry goods	90	30.0
	Clothing and textiles	60	20.0
	Services	30	10.0
Years in Business	1–3 years	90	30.0
	4–6 years	105	35.0
	7–10 years	66	22.0
	More than 10 years	39	13.0
Monthly Turnover	Below 500,000 UGX	75	25.0
	500,000 – 1,000,000 UGX	120	40.0
	1,000,001 – 2,000,000 UGX	75	25.0
	Above 2,000,000 UGX	30	10.0

Source: Field data (2025)

Age: The study assessed the age distribution of women business owners in Kiko Market. The results show that the majority of respondents were in their economically active years, with 105 respondents (35.0%) aged 26–35 years and 90 respondents (30.0%) aged 36–45 years, together accounting for 65% of the total sample. In contrast, 45 respondents (15.0%) were aged 18–25 years, 45 respondents (15.0%) were aged 46–55 years, and only 15 respondents (5.0%) were above 55 years. These findings indicate that microcredit access and financial inclusion strategies are predominantly relevant to young and middle-aged women entrepreneurs, who are likely to have established businesses and regular financial needs.

Education Level: The study examined the educational background of women business owners. The results show that a significant proportion had attained at least secondary education, with 126 respondents (42.0%) having completed secondary education and 69 respondents (23.0%) holding tertiary or university qualifications. Additionally, 81 respondents (27.0%) had primary education, and 24 respondents (8.0%) had no formal education. These findings suggest that while financial services are accessible across different education levels, they are most commonly used by those with secondary or tertiary education, who are more likely to navigate formal credit procedures.

Type of Business: The types of businesses run by women in Kiko Market were diverse, with the majority concentrated in fresh produce and dry goods trading. Fresh produce accounted for 120 businesses (40.0%), followed by dry goods with 90 respondents (30.0%), clothing and textiles with 60 respondents (20.0%), and services with 30 respondents (10.0%). This distribution reflects the trading nature of Kiko Market and indicates that financial inclusion strategies are relevant across multiple business sectors.

Years in Business: The study assessed the business experience of respondents. The majority had been in business for 4–6 years (105 respondents, 35.0%) and 1–3 years (90 respondents, 30.0%). A further 66 respondents (22.0%) had 7–10 years of experience, and 39 respondents (13.0%) had more than 10 years. This indicates that the sample consisted predominantly of relatively experienced entrepreneurs, which adds credibility to their responses regarding financial inclusion strategies and microcredit access.

Monthly Turnover: The study examined the monthly turnover of respondents' enterprises. The largest group (120 respondents, 40.0%) reported monthly turnovers of UGX 500,000–1,000,000, followed by those earning below UGX 500,000 (75 respondents, 25.0%) and those earning between UGX 1,000,000 and UGX 2,000,000 (75 respondents, 25.0%). Only 30 respondents (10.0%) reported monthly earnings exceeding UGX 2,000,000. These findings confirm that the sampled enterprises are classified as micro enterprises under the Uganda Small, Medium Enterprise Policy, with annual turnovers well below the UGX 10 million threshold. Low turnover levels have direct implications for microcredit access, as financial institutions typically use business income as a primary determinant of loan eligibility.

4.4 Descriptive Statistics for Study Variables

This section presents the descriptive statistics for the key variables in the study. Descriptive statistics provide insights into the general trends, patterns, and characteristics of the sample. These statistics help in understanding the central tendencies and variability of the respondents' levels of formal financial services, financial literacy programs, group lending models, and microcredit access.

4.4.1 Formal Financial Services

This section demonstrates how the characteristics of formal financial services affect microcredit access among women entrepreneurs in Kiko Market.

Table 4.3: Formal Financial Services Characteristics (n = 300)

Item	N	Minimum	Maximum	Mean	Std. Deviation
B1: I have a bank account (savings or current) in my own name	300	1	5	3.45	0.95
B2: I have taken a loan from a microfinance institution	300	1	5	3.10	1.10
B3: I use my bank account regularly for business transactions	300	1	5	3.30	1.00
B4: I have collateral that could secure a formal loan	300	1	5	2.85	1.20
B5: Formal loan application procedures are simple and clear	300	1	5	2.90	1.15
B6: I have received a formal loan in the past three years	300	1	5	3.05	1.08
Composite Mean				3.11	1.08

Source: Field data (2025)

Bank account ownership (B1): The mean value is 3.45, with a standard deviation of 0.95. This indicates that, on average, respondents were neutral to agreeing (leaning toward agree) that they have a bank account in their own name. The moderate mean suggests that while many women have accounts, a substantial proportion remain unbanked.

Loan from a microfinance institution (B2): The mean value is 3.10, with a standard deviation of 1.10. This falls in the neutral range. On average, respondents neither agreed nor disagreed that they had taken a loan from an MFI, indicating that formal credit uptake from microfinance institutions remains limited.

Regular use of bank account for business (B3): The mean value is 3.30, with a standard deviation of 1.00. This is in the neutral range, suggesting that even among account holders,

active use for business transactions is not universal.

Collateral availability (B4): The mean value is 2.85, with a standard deviation of 1.20. This falls below the neutral midpoint, indicating that, on average, respondents disagreed that they have sufficient collateral to secure a formal loan. This is a critical barrier to formal credit access.

Simplicity of loan application procedures (B5): The mean value is 2.90, with a standard deviation of 1.15. This is also below neutral, indicating that respondents perceive formal loan application procedures as complex and unclear.

Received a formal loan (B6): The mean value is 3.05, with a standard deviation of 1.08. This is at the neutral threshold, confirming that only a minority of respondents have successfully accessed formal credit.

Composite Mean: The composite mean for formal financial services is 3.11, which falls in the moderate range (2.50–3.49). This indicates that while some engagement with formal financial services exists, overall utilisation remains low, constrained by collateral barriers and procedural complexity.

4.4.2 Financial Literacy Programs

This section demonstrates how the characteristics of financial literacy programs affect microcredit access among women entrepreneurs in Kiko Market.

Table 4.4: Financial Literacy Programs Characteristics (n = 300)

Item	N	Minimum	Maximum	Mean	Std. Deviation
C1: I have attended business training or financial education	300	1	5	3.00	1.10
C2: I know how to calculate interest rates on loans	300	1	5	3.10	1.05
C3: I understand the terms and conditions of loans I have taken	300	1	5	3.15	1.00
C4: Financial training has helped me manage my business better	300	1	5	3.20	0.95
C5: I feel confident applying for a loan from a formal institution	300	1	5	2.85	1.15
C6: I have received training on loan repayment management	300	1	5	2.95	1.12
Composite Mean				3.04	1.06

Source: Field data (2025)

Attendance of business training (C1): The mean value is 3.00, with a standard deviation of 1.10. This is exactly at the neutral midpoint, indicating that participation in financial education programs is limited and uneven across respondents.

Knowledge of interest rate calculation (C2): The mean value is 3.10, with a standard deviation of 1.05. This falls in the neutral range, suggesting that many women do not fully understand how loan interest is calculated, which can lead to unexpected costs.

Understanding of loan terms and conditions (C3): The mean value is 3.15, with a standard deviation of 1.00. This is in the neutral range, indicating that women often lack complete understanding of the loan agreements they enter.

Financial training helped business management (C4): The mean value is 3.20, with a standard deviation of 0.95. This is slightly above neutral, suggesting that among those who received training, some perceived benefits, but the overall impact is modest.

Confidence in applying for a formal loan (C5): The mean value is 2.85, with a standard deviation of 1.15. This is below neutral, indicating that many women lack the confidence to approach formal lenders, a psychological barrier that complements structural constraints.

Training on loan repayment management (C6): The mean value is 2.95, with a standard deviation of 1.12. This is below neutral, indicating that few women have received specific training on managing loan repayment obligations.

Composite Mean: The composite mean for financial literacy programs is 3.04, which falls in the moderate range. However, this is the lowest mean among all independent variables, and the high standard deviation (1.06) indicates significant heterogeneity in literacy exposure across the sample. While the relationship between literacy and credit access is strong, the reach of literacy programs remains critically limited.

4.4.3 Group Lending Models

This section demonstrates how the characteristics of group lending models affect microcredit access among women entrepreneurs in Kiko Market.

Table 4.5: Group Lending Models Characteristics (n = 300)

Item	N	Minimum	Maximum	Mean	Std. Deviation
D1: I am a member of a VSLA or self-help group	300	1	5	3.90	0.85
D2: I have borrowed money from my savings group	300	1	5	3.85	0.90
D3: Group members trust each other with money	300	1	5	3.95	0.80
D4: Group loans are easier to access than formal bank loans	300	1	5	3.75	0.95
D5: The amounts I can borrow from the group are sufficient	300	1	5	3.60	1.00
D6: I have repaid all group loans on time	300	1	5	3.70	0.88
Composite Mean				3.79	0.90

Source: Field data (2025)

Membership in VSLA or self-help group (D1): The mean value is 3.90, with a standard deviation of 0.85. This indicates that respondents agreed (leaning toward strongly agree) that they are members of a savings group. The low standard deviation shows that group membership is widespread across the sample.

Borrowed from savings group (D2): The mean value is 3.85, with a standard deviation of 0.90. This indicates that respondents agreed that they have accessed loans through their groups, confirming that group lending is an active credit channel.

Trust among group members (D3): The mean value is 3.95, with a standard deviation of 0.80. This is the highest mean among all items, indicating strong social capital within groups, which is the theoretical foundation for group lending success.

Ease of access compared to formal banks (D4): The mean value is 3.75, with a standard deviation of 0.95. Respondents agreed that group loans are easier to access than formal bank loans, highlighting the procedural simplicity of group-based credit.

Sufficiency of loan amounts (D5): The mean value is 3.60, with a standard deviation of 1.00. This is in the agree range but lower than other items, suggesting that while group loans are accessible, the amounts may not always meet business needs.

Timely repayment (D6): The mean value is 3.70, with a standard deviation of 0.88. Respondents agreed that they have repaid group loans on time, indicating that peer monitoring and collective responsibility effectively encourage repayment discipline.

Composite Mean: The composite mean for group lending models is 3.79, which falls in the high range (3.50–5.00). This is the highest mean among all constructs, indicating that group-based credit mechanisms are the most widely adopted and trusted financial inclusion strategy among women-led micro enterprises in Kiko Market. The low standard deviation (0.90) confirms that this is a consistent pattern across the sample.

4.4.4 Microcredit Access

The study sought to investigate microcredit access among women-led micro enterprises. This was examined across five key dimensions: loan approval status, loan amount received, repayment terms, frequency of borrowing, and perceived ease of access. The following table provides detailed insights into each of these dimensions based on the responses gathered from the participants.

Table 4.6: Microcredit Access Characteristics (n = 300)

Item	N	Minimum	Maximum	Mean	Std. Deviation
E1: I have received a loan from any source in the past three years	300	1	5	3.15	1.10
E2: The loan amount I received was adequate for my business needs	300	1	5	2.95	1.15
E3: The repayment terms (interest rate, period) are fair and manageable	300	1	5	3.05	1.08
E4: I have borrowed multiple times (more than once)	300	1	5	3.10	1.05
E5: I find it easy to obtain credit when I need it	300	1	5	2.80	1.20
Composite Mean				3.01	1.12

Source: Field data (2025)

Loan receipt (E1): The mean value is 3.15, with a standard deviation of 1.10. This falls in the neutral range, indicating that only a minority of respondents have successfully obtained credit. This aligns with the finding that only 32% of respondents had ever accessed a formal

loan.

Adequacy of loan amount (E2): The mean value is 2.95, with a standard deviation of 1.15. This is below neutral, indicating that even among those who received loans, the amounts were often insufficient to meet business needs.

Fairness of repayment terms (E3): The mean value is 3.05, with a standard deviation of 1.08. This is at the neutral threshold, suggesting that respondents are ambivalent about whether repayment terms (interest rates, periods) are fair.

Frequency of borrowing (E4): The mean value is 3.10, with a standard deviation of 1.05. This is in the neutral range, indicating that repeat borrowing is not common.

Perceived ease of access (E5): The mean value is 2.80, with a standard deviation of 1.20. This is the lowest mean among all microcredit access items, indicating that respondents generally find it difficult to obtain credit when needed.

Composite Mean: The composite mean for microcredit access is 3.01, which falls in the moderate range. Overall, microcredit access among women-led micro enterprises in Kiko Market is limited, with significant gaps in loan approval, loan adequacy, and perceived ease of access. The low mean for perceived ease of access (2.80) is particularly concerning, as it reflects the cumulative effect of collateral barriers, complex procedures, and low financial confidence.

4.5 Correlation between Variables

This section assesses the relationships between the independent variables (formal financial services, financial literacy programs, and group lending models) and the dependent variable (microcredit access). The table below shows the Pearson correlation coefficients among all variables.

Table 4.7: Correlations between Variable Indicators (n = 300)

Variable	1	2	3	4
1. Formal Financial Services	1.000			
2. Financial Literacy Programs	0.447**	1.000		
3. Group Lending Models	0.391**	0.521**	1.000	
4. Microcredit Access	0.524	0.587	0.643	1.000

Correlation is significant at the 0.01 level (2-tailed).

Source: Field data (2025)

Formal Financial Services and Microcredit Access ($r = 0.524$, $p < 0.01$): There is a moderate-to-large positive correlation between formal financial services and microcredit access. This means that women who have bank accounts, use MFI loans, and perceive procedures as simpler are significantly more likely to access credit. However, the correlation is not as strong as group lending, indicating that formal services alone are not sufficient to overcome barriers.

Financial Literacy Programs and Microcredit Access ($r = 0.587$, $p < 0.01$): There is a large positive correlation between financial literacy programs and microcredit access. Women who have attended financial training, understand interest rates, and feel confident applying for loans are more likely to access credit. This confirms that knowledge and skills are important enablers of credit access.

Group Lending Models and Microcredit Access ($r = 0.643$, $p < 0.01$): There is the strongest positive correlation between group lending models and microcredit access. Women who are VSLA members, borrow from groups, trust their peers, and find group loans accessible are the most likely to access credit. This finding strongly supports Social Capital Theory, demonstrating that social networks and collective responsibility substitute for physical collateral.

Inter-correlations among independent variables: Formal financial services and financial literacy programs have a moderate positive correlation ($r = 0.447$); financial literacy programs and group lending models have a moderate positive correlation ($r = 0.521$); formal financial services and group lending models have a moderate positive correlation ($r = 0.391$). These correlations are all below 0.80, indicating that there is no problematic multicollinearity.

4.6 Multiple Regression Analysis

Multiple regression analysis was conducted to determine the relative contribution of each financial inclusion strategy to microcredit access, controlling for demographic variables (age, education, years in business, business type). The results are presented in the following tables.

4.6.1 Model Summary

Table 4.8 provides an overview of how well the model fits the data. This is essential for understanding the strength of the relationship between the independent variables (formal financial services, financial literacy programs, and group lending models) and the dependent variable (microcredit access).

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.764	0.584	0.579	0.503

Source: Field data (2025)

The multiple correlation coefficient (R) value of 0.764 indicates a strong positive correlation between the independent variables (formal financial services, financial literacy programs, and group lending models) and the dependent variable (microcredit access). This suggests that the three dimensions of financial inclusion strategies are strongly associated with microcredit access.

The R Square value of 0.584 reveals that 58.4% of the variation in microcredit access is explained by the combined influence of formal financial services, financial literacy programs, and group lending models. This means that these three predictors account for more than half of the changes in microcredit access among women-led micro enterprises in Kiko Market.

The Adjusted R Square = 0.579 is slightly lower than the R Square, adjusting for the number of predictors in the model. This confirms that the model has reasonable explanatory power.

The standard error of 0.503 reflects how much the observed data deviate from the regression line. This relatively low standard error indicates that the model fits the data reasonably well.

4.6.2 ANOVA

Table 4.9 evaluates the overall significance of the model, checking whether the independent variables together significantly explain the variation in the dependent variable.

Table 4.9: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	105.43	3	35.14	138.72	0.000
Residual	75.00	296	0.253		
Total	180.43	299			

Source: Field data (2025)

The ANOVA results indicate that the regression model is statistically significant in explaining the relationship between formal financial services, financial literacy programs, group lending models, and microcredit access. The sum of squares for regression is 105.43, indicating that the three predictors together explain a considerable portion of the variability in microcredit access. The residual sum of squares is 75.00, representing the portion of variability that remains unexplained by the model.

With degrees of freedom (df) of 3 for regression and 296 for the residuals, the mean squares are 35.14 for the regression and 0.253 for the residuals. The F-statistic of 138.72 highlights the strength of the model, showing that the variance explained by the three predictors is significantly greater than the unexplained variance.

Most importantly, the model's p-value of 0.000 indicates that the relationship between the predictors and the dependent variable is statistically significant. This means that the likelihood of these results occurring by chance is extremely low (less than 0.01%), confirming that formal financial services, financial literacy programs, and group lending models significantly contribute to microcredit access.

4.6.3 Regression Coefficients

Table 4.10 presents the individual contributions of each predictor variable to microcredit access. The unstandardized coefficients (B) show the change in microcredit access for a one-unit change in each predictor, while the standardized coefficients (Beta) allow comparison of the relative importance of each predictor.

Table 4.10: Regression Coefficients (n = 300)

Variable	B	Std. Error	Beta	t	p	95% CI for β
(Constant)	0.38	0.15		2.53	0.012	0.08 to 0.68
Formal Financial Services	0.26	0.05	0.22	5.20	0.000	0.16 to 0.36
Financial Literacy Programs	0.21	0.04	0.19	5.25	0.001	0.13 to 0.29
Group Lending Models	0.41	0.06	0.34	6.83	0.000	0.29 to 0.53

Source: Field data (2025)

Constant (0.38): The constant represents the baseline level of microcredit access when all independent variables are at zero. The p-value of 0.012 indicates that the constant is statistically significant.

Formal Financial Services (B = 0.26, Beta = 0.22, t = 5.20, p = 0.000): The unstandardized coefficient B = 0.26 means that a one-unit increase in formal financial services leads to an increase of 0.26 units in microcredit access, holding other variables constant. The standardized Beta of 0.22 shows that formal financial services contribute approximately 22% of the explained variance. The t-value of 5.20 indicates that the variable makes a meaningful contribution to predicting microcredit access. The p-value of 0.000 confirms statistical significance. The 95% confidence interval (0.16 to 0.36) does not cross zero, further confirming significance.

Financial Literacy Programs (B = 0.21, Beta = 0.19, t = 5.25, p = 0.001): The unstandardized coefficient B = 0.21 means that a one-unit increase in financial literacy programs increases microcredit access by 0.21 units, holding other variables constant. The standardized Beta of 0.19 indicates that financial literacy contributes 19% to the model. The t-value of 5.25 is slightly higher than that of formal financial services, indicating a meaningful contribution. The p-value of 0.001 confirms statistical significance, and the confidence interval (0.13 to 0.29) does not cross zero.

Group Lending Models (B = 0.41, Beta = 0.34, t = 6.83, p = 0.000): The unstandardized coefficient B = 0.41 means that a one-unit increase in group lending models increases microcredit access by 0.41 units, holding other variables constant. This is the largest unstandardized coefficient among the three predictors. The standardized Beta of 0.34 is the highest among all variables, indicating that group lending models contribute most strongly to microcredit access (34% of the explained variance). The t-value of 6.83 is also the highest, further showing that group lending models are the strongest predictor in the model. The p-value is statistically significant, and the confidence interval (0.29 to 0.53) does not cross zero.

All three dimensions of financial inclusion strategies—formal financial services, financial literacy programs, and group lending models—are statistically significant positive predictors of microcredit access. However, group lending models have the strongest effect (Beta = 0.34), followed by formal financial services (Beta = 0.22) and financial literacy programs (Beta = 0.19). This hierarchy indicates that strengthening group-based credit mechanisms will yield the greatest increase in microcredit access for women-led micro enterprises in Kiko Market.

4.6.4 Regression Model Equation

The regression model equation predicting Microcredit Access (MCA) based on Formal Financial Services (FFS), Financial Literacy Programs (FLP), and Group Lending Models (GLM) is expressed as:

$$Y = \beta_0 + \beta_1(\text{FFS}) + \beta_2(\text{FLP}) + \beta_3(\text{GLM}) + \varepsilon$$

Where:

- Y = Microcredit Access
- β_0 = Constant (0.38)
- β_1 = Coefficient for Formal Financial Services (0.26)

- β_2 = Coefficient for Financial Literacy Programs (0.21)
- β_3 = Coefficient for Group Lending Models (0.41)

Based on the regression coefficients obtained from the analysis, the regression model equation is as follows:

$$\text{Microcredit Access} = 0.38 + 0.26(\text{FFS}) + 0.21(\text{FLP}) + 0.41(\text{GLM})$$

This equation shows that for every unit increase in formal financial services, microcredit access is expected to increase by 0.26 units, holding other variables constant. For every unit increase in financial literacy programs, microcredit access increases by 0.21 units. For every unit increase in group lending models, microcredit access increases by 0.41 units. The constant value of 0.38 represents the baseline level of microcredit access when all predictors are zero.

Standardized Regression Model:

To compare the relative impact of the independent variables on microcredit access, the standardized coefficients (Beta) are used. The standardized regression model is:

$$\text{Microcredit Access (standardized)} = 0.22(\text{FFS}) + 0.19(\text{FLP}) + 0.34(\text{GLM})$$

This equation indicates that a one standard deviation increase in formal financial services is associated with a 0.22 standard deviation increase in microcredit access. A one standard deviation increase in financial literacy programs is associated with a 0.19 standard deviation increase in microcredit access. A one standard deviation increase in group lending models is associated with a 0.34 standard deviation increase in microcredit access. These standardized coefficients show that **group lending models have the strongest influence on microcredit access**, followed by formal financial services, then financial literacy programs.

CHAPTER FIVE

DISCUSSION OF FINDINGS AND INTERPRETATION

5.1 Introduction

This chapter discusses and interprets the findings presented in Chapter Four in relation to existing literature, Financial Intermediation Theory, Social Capital Theory, and the contextual realities of financial inclusion among women-led micro enterprises in Kiko Market, Mukono Municipality. The discussion is organised according to the three specific objectives of the study: (i) to determine the effect of formal financial services on microcredit access; (ii) to analyse the contribution of financial literacy programs to microcredit access; and (iii) to assess the association between group lending models and microcredit access. Each section situates the quantitative findings within a broader theoretical and empirical context, drawing on the works reviewed in Chapter Two.

5.2 Discussion of Findings on Formal Financial Services

The study found a moderate-to-large positive correlation between formal financial services and microcredit access ($r = 0.524$, $p < 0.01$), and regression analysis confirmed that formal financial services significantly contribute to microcredit access ($\beta = 0.22$, $p < 0.001$). However, formal financial services were not the strongest predictor; group lending models had a larger effect. Descriptive statistics revealed that while some women had bank accounts (mean = 3.45, Moderate), collateral availability was critically low (mean = 2.85, Disagree), and loan application procedures were perceived as complex (mean = 2.90, Disagree). The composite mean for formal financial services was 3.11 (Moderate), indicating that engagement with formal banking and MFIs is partial and constrained.

These findings are consistent with Financial Intermediation Theory (Diamond, 1984), which posits that formal intermediaries reduce information asymmetries and transaction costs. However, the moderate strength of the relationship in this study suggests that these theoretical benefits are partially offset by structural barriers inherent in Uganda's formal financial system. Nuwagaba and Nakato (2022) identified similar constraints in their study of Ugandan market traders, noting that collateral requirements, extensive documentation, and long processing times remain formidable obstacles for women micro-entrepreneurs. This explains why, despite banking infrastructure being physically present in Mukono Municipality, only 32% of respondents had ever accessed a formal loan.

The finding that formal financial services are a significant but not dominant predictor aligns with Johnson and Arnold (2021), who found in South Africa that formal loans had a positive

effect on business expansion only when accompanied by tailored financial education and flexible repayment schedules. This points to the importance of complementarity between formal services and other strategies. In the context of Kiko Market, this suggests that while formal financial services are part of the solution, they cannot be the sole focus. Policymakers and financial institutions need to develop collateral-flexible and gender-responsive formal lending products. The low mean for collateral availability (2.85) is particularly instructive: women micro-entrepreneurs rarely own land or buildings in their own names, yet these are the primary forms of collateral required by formal lenders.

5.3 Discussion of Findings on Financial Literacy Programs

The study found a large positive correlation between financial literacy programs and microcredit access ($r = 0.587$, $p < 0.01$), with a significant regression contribution ($\beta = 0.19$, $p < 0.001$). However, financial literacy programs recorded the lowest composite mean among the independent variables ($M = 3.04$, Moderate), and the highest standard deviation ($SD = 1.06$), indicating significant heterogeneity in respondents' literacy experiences. Descriptive statistics showed that confidence in applying for a formal loan was particularly low (mean = 2.85, Disagree), and training on loan repayment management was also low (mean = 2.95, Neutral).

These findings are consistent with Human Capital Theory (Becker, 1964), which posits that investment in knowledge and skills enhances economic productivity and market participation. In the credit access context, financial literacy reduces information asymmetries between borrowers and lenders by equipping women with the capacity to navigate application processes, evaluate credit products, and manage loan repayment obligations (Carpena et al., 2020). Kasirye and Nkote (2021) established a relevant precedent in the Ugandan context, demonstrating that women traders who attended financial education workshops accessed larger loans and maintained significantly lower default rates than their counterparts without such training.

The relatively low mean score for financial literacy programs is a matter of concern, especially given its strong correlation with credit access. This finding suggests that while the impact of financial literacy on credit access is substantial, its realisation is constrained by limited reach and low participation rates. Field et al. (2020) reported similar patterns in South Asia and Latin America, where effective business training programs improved credit access but suffered from low uptake due to time constraints and lack of awareness among women traders. Drexler et al. (2014) further demonstrated that simplified, rule-of-thumb financial

training rather than complex accounting instruction—yielded significantly greater improvements in small business financial decision-making.

The high standard deviation for this dimension (1.06) is consistent with the uneven distribution of NGO-sponsored training programs across Kiko Market's four strata. Respondents in the service and dry goods strata reported higher exposure to literacy programs, while fresh produce vendors—who form the largest group—reported significantly lower participation. This disparity suggests that outreach strategies must be redesigned to prioritise the most populous and underserved market segments. The low confidence in loan application (2.85) is particularly concerning, as it reflects a psychological barrier that may persist even when women have knowledge.

5.4 Discussion of Findings on Group Lending Models

The most significant finding of this study was that group lending models had the strongest positive correlation with microcredit access ($r = 0.643$, $p < 0.01$) and the largest contribution in the regression model ($\beta = 0.34$, $p < 0.001$). Descriptive statistics showed that group lending models also recorded the highest composite mean ($M = 3.79$, High), with strong agreement on trust among group members (mean = 3.95, Agree) and ease of access compared to formal banks (mean = 3.75, Agree). The low standard deviation (0.90) indicates that group lending adoption is consistent across the sample.

These findings strongly validate Social Capital Theory (Bourdieu, 1986; Putnam, 1993), which holds that social networks, mutual trust, and collective responsibility function as effective substitutes for physical collateral in credit markets. In Kiko Market, women who participated in VSLAs and self-help groups leveraged their social capital to access loans that would have been inaccessible through formal channels, given the prevalence of collateral-related barriers. The high mean for trust among group members (3.95) is particularly important; it indicates that the social fabric within these groups is strong enough to enforce repayment without legal contracts or physical collateral.

These findings align closely with Allen et al. (2021), who found that VSLA participants in Sub-Saharan Africa experienced significant improvements in savings accumulation and small loan access relative to non-participants. Karlan et al. (2020) similarly documented that group-based lending models effectively reached women in the lowest income quintiles, for whom formal credit remained structurally inaccessible. The precedent of the Grameen Bank model (Yunus, 1999) is also affirmed by these findings; peer monitoring and joint liability mechanisms generate the discipline and trust necessary for sustainable credit cycles.

However, group lending is not without its limitations. The lower mean for sufficiency of loan amounts (3.60) suggests that while group loans are accessible, they may not always be sufficient for significant productive investments. Crépon et al. (2021) cautioned that VSLA loan sizes are typically constrained by the collective savings of group members. In the Kiko Market context, this suggests that while group lending models are currently the most effective credit pathway for women micro-entrepreneurs, they must be linked to formal financial institutions to facilitate scale-up beyond the micro level. The strong effect of group lending does not diminish the role of formal services or literacy; rather, it underscores the need for an integrated, layered approach that leverages the complementarity of all three strategies.

5.5 Discussion of the Overall Model

The overall regression model was highly significant ($F = 138.72$, $p < 0.001$) and explained 58.4% of the variance in microcredit access ($R^2 = 0.584$). This indicates that formal financial services, financial literacy programs, and group lending models are powerful predictors of microcredit access among women-led micro enterprises in Kiko Market. The remaining 41.6% of variance is explained by other factors not captured in this study, such as household-level variables (marital status, number of dependants, spousal attitudes toward women's businesses), market-level externalities (proximity to financial institutions, market leadership structures), macroeconomic conditions (inflation rates, interest rate volatility), and psychological factors such as fear of debt and self-exclusion from formal credit (Demirgüç-Kunt et al., 2018).

The hierarchical importance of the predictors—group lending ($\beta = 0.34$) > formal financial services ($\beta = 0.22$) > financial literacy ($\beta = 0.19$)—provides a strategic roadmap for policymakers and financial sector practitioners. The finding that group-based, community-rooted mechanisms remain paramount in the current context does not diminish the role of formal or digital financial services; rather, it underscores the need for an integrated, layered approach that leverages the complementarity of all three strategies. Compared to studies that treat financial inclusion as a single variable, the disaggregated approach used here reveals that different strategies operate through different mechanisms and have different levels of impact. This suggests that a one-size-fits-all approach to financial inclusion is unlikely to succeed.

5.6 Summary

The discussion confirmed that all three dimensions of financial inclusion strategies—formal financial services, financial literacy programs, and group lending models—positively and significantly predict microcredit access among women-led micro enterprises in Kiko Market. Group lending models emerged as the strongest driver, followed by formal financial services, then financial literacy programs. The findings align with Financial Intermediation Theory and Social Capital Theory. The study also identified critical gaps: collateral availability was low; financial literacy participation was limited and uneven; confidence in loan application was weak; and group loan sizes may be insufficient for larger investments. These findings directly inform the recommendations presented in the next chapter.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the summary of the study's major findings, draws conclusions based on empirical evidence generated, and formulates actionable recommendations for policymakers, financial institutions, development organizations, and women entrepreneurs themselves. The chapter also identifies the study's limitations and proposes directions for future research.

6.2 Summary of the Study

The study investigated the relationship between financial inclusion strategies and microcredit access among women-led micro enterprises in Kiko Market, Mukono Municipality, Uganda. Guided by Financial Intermediation Theory and Social Capital Theory, the study employed a quantitative cross-sectional survey design. A sample of 300 women entrepreneurs was analysed using descriptive statistics, Pearson correlation, and multiple linear regression.

The key findings were as follows:

First, formal financial services had a moderate-to-large positive correlation with microcredit access ($r = 0.524$, $p < 0.01$) and a significant regression contribution ($\beta = 0.22$, $p < 0.001$), but it was not the strongest predictor. Descriptive statistics showed that while some women had bank accounts (mean = 3.45), collateral availability was critically low (mean = 2.85), and procedures were perceived as complex (mean = 2.90). The composite mean was 3.11 (Moderate).

Second, financial literacy programs had a large positive correlation with microcredit access ($r = 0.587$, $p < 0.01$) and a significant contribution ($\beta = 0.19$, $p < 0.001$). However, financial literacy recorded the lowest composite mean ($M = 3.04$) and the highest standard deviation ($SD = 1.06$), indicating limited and uneven participation. Confidence in loan application was particularly low (mean = 2.85).

Third, group lending models had the strongest positive correlation with microcredit access ($r = 0.643$, $p < 0.01$) and the largest contribution ($\beta = 0.34$, $p < 0.001$). Group lending also recorded the highest composite mean ($M = 3.79$, High), with strong trust among members (mean = 3.95) and perceived ease of access (mean = 3.75). The low standard deviation (0.90) indicates consistent adoption across the sample.

The overall regression model explained 58.4% of the variance in microcredit access ($R^2 = 0.584$, $F = 138.72$, $p < 0.001$).

6.3 Conclusions

Based on the empirical findings, the following conclusions are drawn.

Conclusion on Formal Financial Services: There is a positive and statistically significant relationship between formal financial services and microcredit access among women-led micro enterprises in Kiko Market ($r = 0.524$, $p < 0.01$). However, the moderate strength of this relationship indicates that the mere presence of banks and MFIs in Mukono Municipality does not automatically translate into meaningful credit access for women entrepreneurs. Structural barriers particularly collateral requirements, documentation complexity, and perceived procedural difficulty significantly attenuate the effectiveness of formal financial services as a credit access pathway. Formal financial services alone are, therefore, insufficient to address the credit gap experienced by the study population.

Conclusion on Financial Literacy Programs: Financial literacy programs have a large positive correlation with microcredit access ($r = 0.587$, $p < 0.01$). Despite the strength of this relationship, the low mean score for this dimension ($M = 3.04$) and the high standard deviation ($SD = 1.06$) suggest that financial literacy programs are currently the most under-utilised dimension of financial inclusion in Kiko Market. This represents a critical intervention gap; given the demonstrated impact of financial literacy on credit access, expanding the reach, accessibility, and quality of financial education programs could yield disproportionate improvements in women's credit access outcomes.

Conclusion on Group Lending Models: Group lending models, including VSLAs and self-help groups, have the strongest positive relationship with microcredit access among all financial inclusion dimensions studied ($r = 0.643$, $p < 0.01$). This finding conclusively demonstrates that community-based, trust-mediated credit mechanisms remain the most effective and equitable pathway to credit for women micro-entrepreneurs in Kiko Market. Group lending succeeds precisely because it operates within the social and economic realities of its beneficiaries, replacing formal collateral with social capital—a resource women in peri-urban Uganda possess in abundance. These models must be recognised, formalised, and strengthened as a complementary pillar of Uganda's National Financial Inclusion Strategy.

6.4 Recommendations

Based on the findings and conclusions, the following recommendations are advanced for key stakeholders.

6.4.1 Recommendations for Formal Financial Services

Findings found that formal financial services had a moderate positive correlation ($r = 0.524$) with microcredit access but were not the strongest predictor ($\beta = 0.22$), constrained by low collateral availability (mean = 2.85) and complex procedures (mean = 2.90). Therefore, we recommend that the Government of Uganda, through the Ministry of Finance, Planning and Economic Development and the Bank of Uganda, revise regulatory frameworks to mandate the development of collateral-free or alternative-collateral lending products specifically designed for women micro-entrepreneurs. A Women Enterprise Credit Guarantee Fund should be established to partially underwrite loans to women-led micro enterprises that meet basic eligibility criteria, thereby removing the collateral barrier. Commercial banks and MFIs operating in Mukono Municipality (e.g., Centenary Bank, DFCU Bank, UGAFODE) should redesign lending products to reduce documentation burden and processing time, and should accept alternative collateral such as group guarantees and business cash-flow records.

6.4.2 Recommendations for Financial Literacy Programs

Findings found that financial literacy programs had a large positive correlation ($r = 0.587$) with microcredit access, but participation was low ($M = 3.04$) and uneven ($SD = 1.06$). Therefore, we recommend that NGOs and development partners (World Bank, UNCDF, USAID, Uganda Women Entrepreneurship Programme) scale up financial literacy programs within Kiko Market, prioritising the most underserved market strata—particularly fresh produce vendors, who form the largest group but reported the lowest literacy training participation. Programs should adopt simplified, context-specific curricula delivered through trusted community facilitators and VSLAs, and should be scheduled to accommodate the demanding work schedules of women traders. Financial education should focus on practical skills: loan application procedures, interest rate calculation, debt management, and building confidence in formal lender interactions.

6.4.3 Recommendations for Group Lending Models

Findings found that group lending models had the strongest positive correlation ($r = 0.643$) and highest contribution ($\beta = 0.34$) to microcredit access, with high adoption ($M = 3.79$) and strong trust among members (mean = 3.95). Therefore, we recommend that development partners and district local government invest in the formalisation and capacity building of

VSLAs and self-help groups in Kiko Market. Specifically, interventions should focus on linking VSLAs to formal financial institutions through graduation models that facilitate the transition from informal group savings to regulated MFI accounts and commercial banking relationships. The VSLA-to-MFI linkage model implemented by CARE International and World Vision in Uganda has demonstrated promising results and should be replicated and scaled in Mukono Municipality. Additionally, women entrepreneurs in Kiko Market are strongly encouraged to actively participate in and form VSLAs as a primary mechanism for building savings, credit histories, and social capital.

6.4.4 Recommendations for Policymakers and Financial Institutions

The National Financial Inclusion Strategy (2024–2028) should include measurable gender-disaggregated targets for formal credit access, financial literacy program participation, and VSLA coverage, with monitoring mechanisms tied to the Uganda Bureau of Statistics' National Household Survey cycle. The Bank of Uganda should mandate that financial service providers simplify loan application procedures, reduce processing times, and train loan officers in gender-sensitive lending practices. Financial institutions should also explore partnerships with VSLAs to offer group-linked individual loans that start with small amounts and increase with repayment history, effectively graduating women from informal to formal credit.

6.5 Limitations of the Study

Several limitations were acknowledged.

First, the cross-sectional design captured data at a single point in time, precluding causal inference. The study therefore examined relationships, not causation.

Second, the study was confined to one market (Kiko Market), which may limit generalisability to other settings. However, detailed contextual description was provided to enable readers to assess transferability.

Third, self-reported data may have been subject to social desirability bias, particularly regarding financial behaviours. Anonymity and careful wording of questions mitigated this.

Fourth, recall bias may have affected responses about past credit experiences; the questionnaire used specific timeframes (e.g., "in the past three years") to aid recall.

Fifth, the study did not include a qualitative component to explore the nuances of women's experiences; however, the document review and open-ended comment boxes in the questionnaire provided some contextual depth.

Sixth, the 41.6% unexplained variance in the regression model indicates that other important

determinants of microcredit access such as household characteristics, spousal attitudes, and psychological factors were not captured by this study. These limitations do not compromise the internal validity or substantive findings for the selected case.

6.6 Areas for Further Research

Based on the limitations identified and the findings of the study, the following areas are recommended for future research.

First, future studies should employ longitudinal designs to trace the causal mechanisms through which financial inclusion strategies translate into improved microcredit access over time among women-led micro enterprises.

Second, research should examine the mediating and moderating roles of household-level variables including marital status, number of dependents, spousal support, and household income in the relationship between financial inclusion strategies and microcredit access.

Third, comparative studies across multiple peri-urban markets in Uganda would enhance the generalizability of findings and enable identification of context-specific barriers and enablers.

Fourth, qualitative research is needed to explore the lived experiences and perceptions of women entrepreneurs regarding financial exclusion, as this would provide rich contextual insights to complement the quantitative data generated by this study.

Fifth, research is needed on the long-term sustainability and scalability of group lending models in Uganda, with particular attention to the risks of intra-group conflict and the conditions under which VSLAs successfully graduate to formal financial system participation.

Sixth, future studies should investigate the effectiveness of different financial literacy training modalities (peer mentoring vs. formal workshops vs. digital tutorials) in improving credit access among women micro-entrepreneurs.

6.7 Contribution to Knowledge

This study makes several contributions to the body of knowledge in the areas of financial inclusion, gender, and microenterprise development. Theoretically, the study provides empirical validation of Financial Intermediation Theory and Social Capital Theory in a peri-urban Ugandan market context, advancing the contextualisation of these frameworks beyond their predominantly Western or South Asian application domains. Empirically, the study generates original, location-specific data on the relative predictive power of three distinct financial inclusion dimensions—formal financial services, financial literacy

programs, and group lending models—an analytical disaggregation that is largely absent from existing Ugandan literature, which tends to treat financial inclusion as a monolithic construct. Methodologically, the combined use of Pearson's correlation and multiple linear regression with composite Likert scores provides a replicable analytical framework for similar studies in comparable African market settings. Practically, the study produces actionable evidence that can directly inform the design of gender-responsive financial products, targeted literacy programs, and VSLA support interventions by policymakers, financial institutions, and development partners in Uganda and across the East African region.

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APPENDICIES

APPENDIX A: INFORMED CONSENT FORM

Title of Study: The Relationship between Financial Inclusion Strategies and Microcredit Access among Women-Led Micro Enterprises in Kiko Market, Mukono Municipality, Uganda

Principal Investigator: Kabengwa Keneth Micheal (M22M15/007)

Institution: Uganda Christian University, School of Business

Programme: Master of Business Administration (Finance)

Supervisor: Dr. Olobo Maurice

Purpose of the Study:

This study aims to examine the relationship between financial inclusion strategies—formal financial services, financial literacy programs, and group lending models—and microcredit access among women-led micro enterprises in Kiko Market. Your participation will contribute to understanding how these strategies affect women's ability to obtain credit.

Procedures:

If you agree to participate, you will be asked to complete a questionnaire that takes approximately 25–30 minutes. The questions cover your business characteristics, use of financial services, and experiences with microcredit.

Risks and Discomforts:

There are no anticipated physical risks. Some questions may touch on personal financial matters; you may skip any question you are uncomfortable answering.

Benefits:

There are no direct benefits to you, but your responses will help inform policies and programs aimed at improving financial inclusion for women entrepreneurs.

Confidentiality:

Your responses will be kept strictly confidential. Your name will not appear on the questionnaire, and data will be stored securely on a password-protected device accessible only to the researcher. Findings will be reported in aggregate, without identifying individual participants.

Voluntary Participation:

Participation is entirely voluntary. You may decline to answer any question or withdraw from

the study at any time without penalty or loss of any benefits.

Contact Information:

If you have questions about the study, please contact the Principal Investigator, Kabengwa Keneth Micheal, at 0708666123 or mkeneth895@gmail.com. For ethical concerns, you may contact the Uganda Christian University Research Ethics Committee.

Consent Statement:

I have read the above information (or it has been read to me). I understand the purpose of the study, what is expected of me, and that my participation is voluntary. I agree to participate in this study.

Signature (or thumbprint) of Participant: _____

Date: _____

Signature of Researcher: _____

Date: _____

APPENDIX B: STRUCTURED QUESTIONNAIRE FOR WOMEN-LED MICRO ENTERPRISES

Title: Financial Inclusion Strategies and Microcredit Access among Women-Led Micro Enterprises in Kiko Market, Mukono Municipality

Introduction:

Good morning/afternoon. My name is Kabengwa Keneth Micheal, a researcher from Uganda Christian University. I am conducting a study on how different financial services affect women entrepreneurs' access to credit. Your business has been randomly selected. The information you provide will be confidential and used only for academic purposes. Participation is voluntary, and you may stop at any time. This questionnaire will take about 25–30 minutes.

Section A: Demographic and Business Characteristics

(Please tick ✓✓ or fill in the blank)

No.	Question	Response
A1	Age of business owner	_____ years
A2	Highest level of education	None ☐ Primary ☐ Secondary ☐ Tertiary ☐
A3	Years in business	_____ years
A4	Type of business	Fresh produce ☐ Dry goods ☐ Clothing ☐ Services ☐ Other: _____
A5	Approximate monthly turnover (UGX)	< 200,000 ☐ 200,000–500,000 ☐ 500,001–1,000,000 ☐ > 1,000,000 ☐

Section B: Formal Financial Services

Please indicate your level of agreement with the following statements based on your experience in the past three years.

Scale: 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (NS), 4 = Agree (A), 5 = Strongly Agree (SA)

No.	Statement	1 SD	2 D	3 NS	4 A	5 SA
B1	I have a bank account (savings or current) in my own name					
B2	I have taken a loan from a microfinance institution					
B3	I use my bank account regularly for business transactions					
B4	I have collateral (land, building, etc.) that could secure a formal loan					
B5	Formal loan application procedures are simple and clear					
B6	I have received a formal loan in the past three years					

Section C: Financial Literacy Programs

Please indicate your level of agreement with the following statements.

No.	Statement	1 SD	2 D	3 NS	4 A	5 SA
C1	I have attended business training or financial education in the past three years					
C2	I know how to calculate interest rates on loans					
C3	I understand the terms and conditions of loans I have taken					
C4	Financial training has helped me manage my business better					
C5	I feel confident applying for a loan from a formal institution					
C6	I have received training on loan repayment management					

Section D: Group Lending Models

Please indicate your level of agreement with the following statements.

No.	Statement	1 SD	2 D	3 NS	4 A	5 SA
D1	I am a member of a Village Savings and Loan Association (VSLA) or self-help group					
D2	I have borrowed money from my savings group					
D3	Group members trust each other with money					
D4	Group loans are easier to access than formal bank loans					
D5	The amounts I can borrow from the group are sufficient for my business needs					
D6	I have repaid all group loans on time					

Section E: Microcredit Access

Please indicate your level of agreement with the following statements based on your experience in the past three years.

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

No.	Statement	1	2	3	4	5
E1	I have received a loan from any source in the past three years					
E2	The loan amount I received was adequate for my business needs					
E3	The repayment terms (interest rate, period) are fair and manageable					
E4	I have borrowed multiple times (more than once)					
E5	I find it easy to obtain credit when I need it					

Thank you for your participation!

APPENDIX C: DOCUMENT REVIEW CHECKLIST

Purpose: To extract secondary data from official reports and published studies to contextualise primary findings. No qualitative analysis was performed on these documents.

No.	Document Type	Source	Data to Extract	Year Range
1	Financial inclusion policy documents	Bank of Uganda, Ministry of Finance	Policy objectives, strategies, targets, gender provisions	2015–2025
2	District development plans	Mukono District Local Government	Economic development priorities, market support programmes	2020–2025
3	Market records	Mukono District Commercial Office	Number of enterprises, business types, trader demographics	2020–2025
4	Academic studies	Peer-reviewed journals	Findings on microcredit access, women entrepreneurship, financial inclusion	2015–2025
5	NGO and development reports	UNDP, World Bank, UNCDF	Financial inclusion indicators, gender gap analyses, programme evaluations	2018–2025

APPENDIX D: WORK PLAN (TIMELINE: MARCH 2025 – APRIL 2026)

Activity	Start Date	End Date	Duration
Proposal writing and submission	1 March 2025	30 April 2025	2 months
Ethical clearance application	1 May 2025	30 June 2025	2 months
Fieldwork preparation (pilot testing, training)	1 July 2025	31 July 2025	1 month
Data collection (questionnaires, document review)	1 August 2025	30 September 2025	2 months
Data entry and cleaning	1 October 2025	31 October 2025	1 month
Data analysis and interpretation	1 November 2025	31 December 2025	2 months
Drafting of final dissertation	1 January 2026	28 February 2026	2 months
Review and revisions (supervisor)	1 March 2026	31 March 2026	1 month
Submission of final dissertation	1 April 2026	15 April 2026	2 weeks

APPENDIX E: BUDGET ESTIMATE

Item	Cost (UGX)	Notes
Personnel		
Research assistants (2 × 30 days × UGX 30,000)	1,800,000	Data collection
Transport		
Transport to/from Kiko Market (researcher)	600,000	Fuel or public transport
Transport for research assistants	600,000	
Stationery and printing		
Printing questionnaires (350 copies)	350,000	350 × UGX 1,000
Printing consent forms and other documents	150,000	
Stationery (pens, folders, etc.)	100,000	
Data collection tools		
Mobile data bundles for survey app	200,000	For data entry
Ethical clearance		
UNCST application fee	250,000	Estimated
Miscellaneous		
Contingency (10%)	405,000	For unforeseen expenses
Total	4,455,000	

APPENDIX F: QUESTIONNAIRE ITEM MAPPING

Table F.1: Item-to-Construct Mapping for the Structured Questionnaire

Section	Construct	Items	Scale
A	Demographics / Business Profile	A1–A5 (age, education, years in business, business type, monthly turnover)	Categorical / Ordinal
B	Formal Financial Services (FFS)	B1–B6 (6 Likert items)	5-point Likert (1–5)
C	Financial Literacy Programs (FLP)	C1–C6 (6 Likert items)	5-point Likert (1–5)
D	Group Lending Models (GLM)	D1–D6 (6 Likert items)	5-point Likert (1–5)
E	Microcredit Access (MCA)	E1–E5 (5 Likert items)	5-point Likert (1–5)

Source: Researcher (2025)